

London house prices slide for eighth quarter in a row

Average cost of a home in the capital down 2.6% over past two years as rest of UK rises

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House prices have dropped in London for the eighth quarter in a row, pushing the average value of a home in the capital down 2.6% over the past two years to £465,722.

Figures for the three months to June from Nationwide showed London and the south-east were the worst performers in a national housing market that has managed to **keep growing** through the past three years of Brexit turmoil, but only at a modest pace.

The annual national growth rate in prices slipped to 0.5% last month from **0.6% in May** and 0.9% in April, pushing the average cost of a UK home to £216,515. Most analysts said they expected only modest increases during the rest of 2019.

London prices are likely to continue sliding as Brexit worries hit the capital's housing market hardest, though **London** saw the annual drop in values ease to 0.7% in the three months to June, from a more severe fall of 3.8% in the three months to May.

Most of the slide in London prices has been felt by the owners of expensive properties in the capital, with multimillion-pound homes experiencing the worst falls.

In prime central London, prices are down about 12.9% since August 2015, according to the estate agent Knight Frank's spring figures. And the average multiple of earnings to prices has come down from more than 10 to nine, though **still well above** the national average of 5.9.

Robert Gardner, Nationwide's chief economist, said: "Housing market trends are likely to continue to mirror developments in the broader economy.

"While healthy labour market conditions and low borrowing costs will provide underlying support, uncertainty is likely to continue to act as a drag on sentiment and activity, with price growth and transaction levels remaining close to current levels over the coming months."

He said prices in the capital were still only about 5% below the all-time highs recorded in the first quarter of 2017 and about 50% above their 2007 levels. Average prices across the UK are about 17% higher over the same period.

At the time of the EU referendum in 2016, house prices were growing by about 5% a year, according to Nationwide's measure.

Howard Archer, the chief economic adviser to the EY Item Club, said average prices were unlikely to rise by more than 1% this year.

"The avoidance of a no-deal Brexit at the end of March may have provided a little support to housing market activity through easing some of the immediate uncertainty and concerns," he said.

"However, we suspect any boost to the housing market from the avoidance of a disruptive Brexit at the end of March will prove limited in both size and length – a view reinforced by the Bank of England reporting that mortgage approvals for house purchases eased back in May after a marked rise in April."

Questions:

1. Explain the cause of the fall in London house prices.
2. Why is it suggested that "healthy labour market conditions and low borrowing costs" will provide underlying support for the housing market?
3. Why is a slowdown in the rate of growth of UK house prices a concern?